

Message Text

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21

ACTION STR-04

INFO OCT-01 EA-07 IO-11 ISO-00 STRE-00 FEA-01 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02

INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 XMB-02 /101 W

----- 009564

R 101845Z FEB 76

FM USDEL MTN GENEVA

TO SECSTATE WASHDC 1128

INFO AMEMBASSY TOKYO

C O N F I D E N T I A L MTN GENEVA 0958

ACTION STR

PASS TREASURY

EO 11652: GDS

TAGS: ETRD MTN

SUBJECT: JAPANESE CONSIDERING VAT?

1. IN COURSE OF CASUAL CONVERSATION FEB 10 WITH JAPANESE
MTN DELEGATE (UKAWA) WHICH TOUCHED ON BORDER TAX ADJUSTMENTS
(BTA), WE ASKED IF HE KNOW WHETHER GOJ GIVING ANY ACTIVE
CONSIDERATION TO ADOPTION OF SYSTEM OF INDIRECT
TAXATION COMPARABLE TO EUROPEAN VALUE ADDED TAX (VAT).
UKAWA SAID (A) 1970 GATT EXAMINATION OF BTA ISSUE HAD
SPARKED INTEREST ON PART OF JAPANESE MOF IN POSSIBLE ADOPTION
OF SUCH A SYSTEM AND SOME INTERNAL STUDIES WERE LAUNCHED
BUT THESE STUDIES DID NOT LEAD TO FORMULATION OF SPECIFIC
PROPOSALS AT THAT TIME; (B) INTERNAL GOJ EXAMINATION ABOUT
TWO OR THREE YEARS AGO OF POSSIBLE WAYS TO ENCOURAGE
MODERNIZATION OF RETAIL DISGRIBUTION SYSTEM IN JAPAN
INCLUDED MORE DETAILED EXAMINATION OF POSSIBLE BENEFITS
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OF VAT SYSTEM IN PUTTING PRESSURE ON SAMLL RETAIL OUTLEST;

(C) SHARP DECLINE IN GOJ TAX REVENUES IN 1974-75
CAUSED BY ECONOMIC SLUMP HAS INDUCED MOF TO ACCELERATE
WORK ON POSSIBLE VAT; AND (D) CHANGE OF TAX SYSTEM WOULD
TAKE CONSIDERABLE TIME BUT UKAWA SAID HE WOULD PERSONALLY NOT
BE SURPRISED IF VAT WERE ADOPTED "WITHIN NEXT TWO YEARS
OR SO."

2. MTN DEL RECOGNIZES FOREGOING MAY BE WELL KNOWN TO
WASHINGTON AND EMBASSY TOKYO BUT IF NOT (AND, PARTICULARLY
IF WASHINGTON WISHES INQUIRE DIRECTLY IN TOKYO ABOUT
STATUS OF VAT CONSIDERATION), REQUEST PROTECTION OF UKAWA
AS SOURCE PARA 1. WALKER

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NNN

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Disposition Reason:
Disposition Remarks:
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